

## Message Text

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PAGE 01 LA PAZ 00222 111502Z

46

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 L-02 H-01 DODE-00 PA-01 USIA-06 PRS-01 PM-03

FEA-01 INT-05 AGR-05 /093 W  
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P 111420Z JAN 75

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 5320

INFO USCINCSO

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E.O. 11652: N/A

TAGS: PINT, ECON, BL

SUBJ: GOB STILL UNDECIDED ON ECONOMIC MEASURES

REF: LA PAZ 0207

1. ACCORDING MORNING PRESS, JAN. 11, FULL CABINET MET WITH PRES. BANZER FOR SIX HOURS (1500 TO 2100) ON JAN 10 IN EFFORT TO ANALYZE AND APPROVE BUDGET AND SO-CALLED ECONOMIC MEASURES. WHEN MEETING DISBANDED, GOB SPOKESMAN (JAVIER ARCE) INFORMED PRESS THAT FEW MORE DAYS WOULD BE REQUIRED BEFORE DECISIONS ON THESE MATTERS COULD BE MADE, BUT THAT PRESENT DEADLINE FOR APPROVAL IS JAN 15. ARCE'S STATEMENTS ABOUT POSSIBLE WAGE INCREASE WERE UNCLEAR. (THEY IMPLY THAT THE GOB IS SEEKING WAYS TO INCREASE PURCHASING POWER OF WAGES RATHER THAN PERMIT WAGE INCREASE THAT WOULD PUSH UP PRICES.) HE NOTED THAT WHENEVER THERE IS A WAGE INCREASE, PRICES INCREASE EVEN MORE AND THAT GOB OBJECTIVE IS TO KEEP LID ON COST-OF-LIVING INCREASES. HE SAID THAT IN UNCOMPLETED MINISTRY BY MINISTRY ANALYSIS, DEFENSE AND EDUCATION BUDGETS

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PAGE 02 LA PAZ 00222 111502Z

WOULD ESPECIALLY BE INCREASED.

2. COMMENT: IT APPEARS THAT PRESIDENT BANZER AND PERHAPS OTHERS IN CABINET ARE STILL LOOKING FOR VARIOS WAYS TO MITIGATE PRICE EFFECTS OF MEASURES PROPOSED BY STATE ENTERPRISES AND MINISTRIES OF PLANNING/COORDINATION AND FINANCES. GOB PRONOUNCEMENTS EMPHASIZING EFFECT OF WAGE INCREASE ON PRICES (INSTEAD OF WAGE INCREASE AS COMPENSATION FOR PAST PRICE INCREASES) INDICATES GOB BENDING EVERY EFFORT TO PREPARE WAY FOR VERY LIMITED INCREASE IN WORKER/EMPLOYEE BENEFITS. GIVEN RADIO AND NEWSPAPER REPORTING OF INTENTIONS TO ELIMINATE SUBSIDIES (DIRECT AND INDIRECT) ON FLOUR, DOMESTIC GASOLINE AND DIESEL OIL, RAILWAY RATES AND POSSIBLY SUGAR. IT IS SURPRISING THAT PUBLIC SPECULATION AND HOARDING HAS BEEN LARGELY LIMITED TO SUGAR. RUMORS OF DEVALUATION ABOUND ONCE AGAIN AND CROWDS IN CASAS DE CAMBIO ARE BUYING DOLLARS DESPITE RECORD HIGH NET FOREIGN RESERVES OF CENTRAL BANK (US\$ 163 MILLION ON DEC 20, OR US\$ 122 MILLION MORE THAN AT END 1973). UNCERTAIN TENOR OF GOB ANNOUNCEMENTS FOLLOWING CABINET MEETING MAKE DOUBTFUL THAT BUDGET WILL BE MADE PUBLIC BY JAN 15, ESPECIALLY IN VIEW EMPHASIS THEY PLACE ON FURTHER EFFORTS CUT EXPENDITURES PART OF GOB HESITANCY AND PERHAPS CONFUSION MAY BE A SIGN OF A FEELING OF INSECURITY ARISING OUT OF SUSPECTED IMPACT OF EX-MIN AYOROA'S PUBLIC LETTER, AND RECENT REVELATIONS OF WIDE-SPREAD PLOTTING BY CIVILIAN ELEMENTS IN CONJUNCTION WITH AYOROA.

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